

WAYNE COUNTY RETIREMENT FACILITIES

WAYNESBORO, TENNESSEE

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION  
AND  
INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2011 AND 2010

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## INDEPENDENT AUDITORS' REPORT

Wayne County General Hospital Board of Trustees  
Wayne County Retirement Facilities  
Waynesboro, Tennessee

We have audited the accompanying statements of net assets (deficit) of the Wayne County Retirement Facilities (the "Facilities"), a component unit of Wayne County, Tennessee, as of June 30, 2011 and 2010, and the related statements of revenues, expenses, and changes in net assets (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Facilities' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Facilities' internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Facilities have not presented a Management's Discussion and Analysis that under accounting principles generally accepted in the United States is required to supplement, although not required to be a part of, the basic financial statements. Additionally, the Facilities have not presented certain supplementary information required by the *Audit Manual* issued by the State of Tennessee Department of Audit.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Wayne County Retirement Facilities as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2012, on our consideration of the Facilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the above-mentioned basic financial statements taken as a whole. The accompanying additional information on pages 18-22 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Kraft CPAs PLLC*

Columbia, Tennessee  
January 27, 2012

WAYNE COUNTY RETIREMENT FACILITIES

STATEMENTS OF NET ASSETS (DEFICIT)

JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents - unrestricted	\$ 652,913	\$ 450,967
Resident accounts receivable, net of allowance for uncollectible accounts of \$79,030 in 2011 and 2010	696,525	493,051
Due from State of Tennessee	-	8,582
Notes receivable - current portion	1,865	1,791
Prepaid insurance	43,733	21,379
Inventories	<u>57,498</u>	<u>25,518</u>
TOTAL CURRENT ASSETS	<u>1,452,534</u>	<u>1,001,288</u>
ASSETS LIMITED AS TO USE		
Cash and cash equivalents - restricted	<u>14,006</u>	<u>11,419</u>
TOTAL ASSETS LIMITED AS TO USE	<u>14,006</u>	<u>11,419</u>
OTHER ASSETS		
Bond issue costs, net of accumulated amortization	40,015	42,806
Notes receivable, excluding current portion	<u>47,521</u>	<u>49,387</u>
TOTAL OTHER ASSETS	<u>87,536</u>	<u>92,193</u>
LAND, BUILDING AND EQUIPMENT - at cost, net of accumulated depreciation		
	<u>2,718,374</u>	<u>2,848,332</u>
TOTAL ASSETS	<u>\$ 4,272,450</u>	<u>\$ 3,953,232</u>

See accompanying notes to financial statements.

	<u>2011</u>	<u>2010</u>
<u>LIABILITIES AND NET ASSETS (DEFICIT)</u>		
CURRENT LIABILITIES (Payable from unrestricted assets)		
Accounts payable	\$ 133,765	\$ 114,701
Accrued expenses and other liabilities	542,172	275,726
Due to Maury Regional Hospital	75,044	-
Due to Wayne County, Tennessee	2,248,187	2,070,420
Current portion of long-term debt	<u>611,434</u>	<u>421,285</u>
TOTAL CURRENT LIABILITIES	<u>3,610,602</u>	<u>2,882,132</u>
CURRENT LIABILITIES (Payable from assets limited as to use)		
Patients' trust fund	<u>14,006</u>	<u>11,419</u>
LONG-TERM DEBT		
Notes and bonds payable	2,516,434	2,540,299
Less current portion	<u>611,434</u>	<u>421,285</u>
TOTAL LONG-TERM DEBT	<u>1,905,000</u>	<u>2,119,014</u>
TOTAL LIABILITIES	<u>5,529,608</u>	<u>5,012,565</u>
NET ASSETS (DEFICIT)		
Invested in capital assets, net of related debt	639,375	406,799
Unrestricted (deficit)	<u>(1,896,533)</u>	<u>(1,466,132)</u>
TOTAL NET ASSETS (DEFICIT)	<u>(1,257,158)</u>	<u>(1,059,333)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,272,450</u>	<u>\$ 3,953,232</u>

WAYNE COUNTY RETIREMENT FACILITIES

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (DEFICIT)

YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Net resident service revenue, net of provision for bad debts of \$44,032 and \$50,000, respectively	\$ 7,441,771	\$ 5,287,072
Other operating revenues	<u>33,151</u>	<u>6,041</u>
TOTAL OPERATING REVENUES	<u>7,474,922</u>	<u>5,293,113</u>
OPERATING EXPENSES		
Salaries and benefits	5,268,211	3,493,954
Supplies and other	1,905,744	1,270,469
Utilities	250,142	156,303
Depreciation	<u>225,143</u>	<u>249,143</u>
TOTAL OPERATING EXPENSES	<u>7,649,240</u>	<u>5,169,869</u>
INCOME (LOSS) FROM OPERATIONS	<u>(174,318)</u>	<u>123,244</u>
NONOPERATING REVENUE (EXPENSE)		
Interest income	5,737	6,057
Interest expense	<u>(119,557)</u>	<u>(128,120)</u>
TOTAL NONOPERATING REVENUE (EXPENSE) - NET	<u>(113,820)</u>	<u>(122,063)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(288,138)	1,181
Equipment and building improvements contributed by Maury Regional Hospital	<u>90,313</u>	<u>-</u>
CHANGE IN NET ASSETS	(197,825)	1,181
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	<u>(1,059,333)</u>	<u>(1,060,514)</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ (1,257,158)</u>	<u>\$ (1,059,333)</u>

See accompanying notes to financial statements.

WAYNE COUNTY RETIREMENT FACILITIES

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from residents	\$ 7,315,928	\$ 5,130,470
Payments to suppliers	(2,182,574)	(1,462,720)
Payments to employees	(4,981,109)	(3,523,571)
Other receipts	<u>33,151</u>	<u>6,041</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>185,396</u>	<u>150,220</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Debt principal payments	(93,743)	(80)
Proceeds from notes payable	182,500	-
Interest paid	<u>(3,398)</u>	<u>(15,631)</u>
<b>NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES</b>	<u>85,359</u>	<u>(15,711)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Debt principal payments	-	(1,744)
Interest paid	(68,879)	(152,084)
Acquisition of capital assets	<u>(4,872)</u>	<u>-</u>
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(73,751)</u>	<u>(153,828)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments received on notes receivable	1,792	1,721
Interest income	<u>5,737</u>	<u>6,057</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>7,529</u>	<u>7,778</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	204,533	(11,541)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>462,386</u>	<u>473,927</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 666,919</u>	<u>\$ 462,386</u>

See accompanying notes to financial statements.

WAYNE COUNTY RETIREMENT FACILITIES

STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income (loss) from operations	\$ (174,318)	\$ 123,244
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:		
Depreciation	225,143	249,143
Provision for bad debts	44,032	50,000
(Increase) decrease in:		
Accounts receivable and other receivables	(238,924)	(131,369)
Prepaid expenses	(22,354)	(11,222)
Inventories	(31,980)	(4,066)
Increase (decrease) in:		
Accounts payable	19,064	19,314
Accrued expenses and other liabilities	287,102	5,657
Due to U.S. Department of Justice	-	(135,000)
Due to Maury Regional Hospital	75,044	-
Patients' trust fund	2,587	(15,481)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 185,396</u>	<u>\$ 150,220</u>
SCHEDULE OF NONCASH TRANSACTIONS:		
Amortization of bond issue costs included in interest expense	\$ 6,568	\$ 6,568
Long-term debt and interest payments by Wayne County	165,145	164,337
Purchase of real estate with an advance from Wayne County	-	48,000
Equipment and building improvements contributed by Maury Regional Hospital	90,313	-

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

WAYNE COUNTY RETIREMENT FACILITIES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Wayne County Retirement Facilities (the "Facilities") are not-for-profit residential health care providers operating as a component unit of Wayne County, Tennessee (the "County"). The Facilities, under the authority of the County Commission, were comprised of two divisions, the Wayne County Nursing Home ("WCNH") and the Wayne County Assisted Living Facility ("WCAL") during year ended June 30, 2010.

As of July 1, 2010, the Wayne County Hospital Board of Trustees assumed responsibility for operation of another nursing home facility in Wayne County, Tennessee, Wayne Care Nursing Home ("WCare"). The facility had previously been operated by Maury Regional Hospital ("MRH") under an operating lease of Wayne Medical Center and Wayne Care Nursing Home. On June 30, 2010, the lease of the nursing home WCare to MRH was terminated and Wayne County transferred responsibility for operation of the nursing home to the Wayne County Hospital Board of Trustees. The building occupied by WCare is owned by Wayne County, Tennessee. All equipment utilized in the Wayne Cares Nursing Home and building improvements were transferred to the Facilities. Equipment transferred had a depreciated value of \$38,935 and building improvements had a depreciated value of \$51,378. These values approximate market value. The Board continues to operate WCare as a 46 bed intermediate care nursing facility. Under accounting principles generally accepted in the United States of America, the Facilities collectively constitute a component unit of the County for financial reporting purposes.

Basis of accounting

The Facilities follow the accrual method of accounting whereby revenues are recognized in the period earned and expenditures are recorded at the time liabilities are incurred.

The Facilities apply all applicable Governmental Accounting Standards Board ("GASB") pronouncements in accounting and reporting as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures. The Facilities do not apply FASB Statements or Interpretations issued after November 30, 1989.

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that such estimates have been based on reasonable assumptions and are adequate; however, actual results could differ from these estimates.

Cash equivalents and investments

Certificates of deposit with original maturities of three months or less when acquired are considered to be cash equivalents. All certificates of deposit are reported at cost.

Statutes authorize the Facilities to invest in: (1) U.S. government securities and obligations guaranteed by the U. S. government; (2) deposit accounts at state and federal chartered banks and savings and loan associations; (3) the Local Government Investment Pool of the State of Tennessee; and (4) obligations of the United States or its agencies under repurchase agreements with certain restrictions. The Facilities held no investments at June 30, 2011 or 2010.

Deposits with financial institutions are required by State statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool.

Resident accounts receivable

The Facilities' primary credit risk is resident accounts receivable, which consist of amounts owed by governmental agencies and private pay patients. The Facilities grant credit to residents and generally do not require collateral or other security in extending credit; however, the Facilities routinely obtain assignment of (or are otherwise entitled to receive) residents' benefits payable primarily under the Medicaid Intermediate Care Program (the "Medicaid Program"). The percentage of resident service revenue attributable to this program was approximately 80% for 2011 (73% for 2010).

The Facilities manage receivables by regularly reviewing their accounts and contracts and by providing appropriate allowances for estimated uncollectible amounts. Provision for bad debts is netted against resident service revenue. Accounts identified as uncollectible are charged off against the allowance in the period determined.

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories consist primarily of medical and dietary supplies and are carried at the lower of cost, determined on the first-in, first-out method, or market.

Interfund and intrafund accounts

During the course of operations, transactions occur between and among individual funds of the County or within a single fund for goods or services rendered. Interfund receivables and payables are classified as "due from other funds" or "due to other funds" on the statement of net assets (deficit) and are eliminated in the government-wide financial statements of the County. Intrafund receivables and payables are eliminated on the statement of net assets (deficit).

Assets limited as to use

Assets limited as to use consist of restricted cash held in resident trust accounts.

Bond issue costs

Bond issue costs are capitalized and amortized on the straight-line method over the life of the related obligation. Amortization expense amounted to \$6,568 in 2011 and 2010 and is included in interest expense.

Land, building and equipment

Land, building and equipment are recorded at cost. Depreciable assets are depreciated using the straight-line method over estimated useful lives of 6 to 40 years for building and improvements, and 3 to 10 years for major moveable equipment, fixtures, and automobiles.

Accrual for compensated absences

The Facilities' full-time employees earn vacation days as follows:

Less than 10 years service	12 days per year
10 - 20 years service	18 days per year
Over 20 years service	24 days per year

The Facilities' part-time employees working 20 or more hours per week earn one vacation day for every 22 days worked. If an employee is dismissed for cause or fails to give proper notice prior to leaving, the employee is not paid for the accumulated vacation days. The accumulation of vacation days is limited to one year's vacation allowance, except by permission of the Administrator. Vacation expense is accrued and included in accrued expenses and other liabilities as earned. Sick pay is expensed when paid or payable since it does not vest.

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net resident service revenue

Net resident service revenue is reported as services are rendered at estimated net realizable amounts from residents, third-party payors, and others for services rendered. The provision for bad debts is netted against net resident revenue.

The Facilities currently participate in the Medicaid Program which reimburses the Facilities for the cost of intermediate care services rendered to Medicaid beneficiaries at a prospective rate which is based on the lower of the reimbursable cost of services rendered to intermediate care beneficiaries or a reimbursement cap established by Medicaid. The reimbursement cap is expressed as a per diem amount.

Reclassifications

Certain reclassifications have been made in the 2010 financial statements to conform to the 2011 presentation. These reclassifications had no effect on the change in net assets previously reported.

NOTE 2 - CASH AND CASH EQUIVALENTS

At June 30, 2011, the Facilities' cash and cash equivalents amounted to \$666,919. Bank balances for such amounts totaled \$688,579, of which \$468,322 was insured by the Federal Deposit Insurance Corporation (FDIC). The remaining balance was secured by collateral held by the Facilities' Agent in the Facilities' name.

NOTE 3 - NOTES RECEIVABLE

The Facilities have the following notes receivable due from Wayne County Senior Citizens Center at June 30:

	<u>2011</u>	<u>2010</u>
Note receivable, due in monthly installments of principal and interest (at 4.0%) of \$150 through December 2022.	\$ 16,583	\$ 17,695
Note receivable, due in monthly installments of principal and interest (at 4.0%) of \$167 through January 2038.	<u>32,803</u>	<u>33,483</u>
	49,386	51,178
Less current portion	<u>(1,865)</u>	<u>(1,791)</u>
	<u>\$ 47,521</u>	<u>\$ 49,387</u>

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

NOTE 4 - LAND, BUILDING AND EQUIPMENT

A summary of changes in land, building and equipment and related accumulated depreciation for the year ended June 30, 2011, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 111,900	\$ -	\$ -	\$ 111,900
Capital assets, being depreciated:				
Buildings and improvements	4,261,841	51,383	-	4,313,224
Furniture and equipment	1,890,603	43,802	-	1,934,405
Automobiles	<u>28,873</u>	<u>-</u>	<u>-</u>	<u>28,873</u>
	<u>6,181,317</u>	<u>95,185</u>	<u>-</u>	<u>6,276,502</u>
Less accumulated depreciation:				
Buildings and improvements	2,154,963	128,892	-	2,283,855
Furniture and equipment	1,261,049	96,251	-	1,357,300
Automobiles	<u>28,873</u>	<u>-</u>	<u>-</u>	<u>28,873</u>
	<u>3,444,885</u>	<u>225,143</u>	<u>-</u>	<u>3,670,028</u>
Total capital assets, being depreciated, net	<u>2,736,432</u>	<u>(129,958)</u>	<u>-</u>	<u>2,606,474</u>
Total capital assets, net	<u>\$2,848,332</u>	<u>\$ (129,958)</u>	<u>\$ -</u>	<u>\$2,718,374</u>

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

NOTE 4 - LAND, BUILDING AND EQUIPMENT (CONTINUED)

A summary of changes in land, building and equipment and related accumulated depreciation for the year ended June 30, 2010, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 111,900	\$ -	\$ -	\$ 111,900
Capital assets, being depreciated:				
Buildings and improvements	4,213,841	48,000	-	4,261,841
Furniture and equipment	1,890,603	-	-	1,890,603
Automobiles	28,873	-	-	28,873
	<u>6,133,317</u>	<u>48,000</u>	<u>-</u>	<u>6,181,317</u>
Less accumulated depreciation:				
Buildings and improvements	2,002,847	152,116	-	2,154,963
Furniture and equipment	1,164,605	96,444	-	1,261,049
Automobiles	28,290	583	-	28,873
	<u>3,195,742</u>	<u>249,143</u>	<u>-</u>	<u>3,444,885</u>
Total capital assets, being depreciated, net	<u>2,937,575</u>	<u>(201,143)</u>	<u>-</u>	<u>2,736,432</u>
Total capital assets, net	<u>\$ 3,049,475</u>	<u>\$ (201,143)</u>	<u>\$ -</u>	<u>\$ 2,848,332</u>

Depreciation expense amounted to \$225,143 in 2011 (\$249,143 in 2010).

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

NOTE 5 - INTERFUND PAYABLES

Amounts due to Wayne County consist of payments by the County on behalf of WCNH and WCAL, a demand loan related to the purchase of a house on property adjoining WCNH, and other operating advances as detailed in the schedules below. There are no formal agreements dictating repayment terms and interest has not been accrued.

A summary of amounts due to Wayne County for the year ended June 30, 2011 follows:

	<u>WCNH</u>	<u>WCAL</u>	<u>Total</u>
Cumulative payments on bonds or notes payable for retirement facilities by Wayne County	\$ 578,047	\$ 785,000	\$ 1,363,047
Demand loan related to purchase of house	48,000	-	48,000
Other operating advances	<u>-</u>	<u>837,140</u>	<u>837,140</u>
Total Due to Wayne County	<u>\$ 626,047</u>	<u>\$ 1,622,140</u>	<u>\$ 2,248,187</u>

A summary of amounts due to Wayne County for the year ended June 30, 2010 follows:

	<u>WCNH</u>	<u>WCAL</u>	<u>Total</u>
Cumulative payments on bonds or notes payable for retirement facilities by Wayne County	\$ 565,425	\$ 685,000	\$ 1,250,425
Demand loan related to purchase of house	48,000	-	48,000
Other operating advances	<u>-</u>	<u>771,995</u>	<u>771,995</u>
Total Due to Wayne County	<u>\$ 613,425</u>	<u>\$ 1,456,995</u>	<u>\$ 2,070,420</u>

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

NOTE 6 - NOTES AND BONDS PAYABLE

Changes in long-term debt were as follows for the year ended June 30, 2011:

<b>Notes and Bonds Payable</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements *</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Nursing Home Capital Outlay Notes Series 2005 - interest rate of 2.90%, maturing over a 6-year period, with the first payment made August 1, 2005, and the final payment due February 1, 2012.	\$ 185,379	\$ -	\$ 91,365	\$ 94,014	\$ 94,014
Nursing Home General Obligation Notes Series 2006 - interest rate of 4.05%, maturing over a 25-year period, with the first payment made December 1, 2006, and the final payment due June 1, 2031.	575,000	-	15,000	560,000	15,000
Nursing Home 6.00% demand note payable to a bank, if no demand then principal and interest due on maturity. Subsequent to year end, the note was renewed and will mature on December 27, 2013	85,000	-	-	85,000	85,000
Nursing Home 7.5% demand note payable to a bank, if no demand then principal and interest due on maturity. Subsequent to year end, the note was renewed and will mature on January 4, 2013	129,920	-	-	129,920	129,920
Assisted Living Facility Lease Revenue and Tax Bonds Series 2001 - interest rate of 4.30%, maturing over a 20-year period, with the first payment made October 1, 2002, and the final payment due October 1, 2021.	1,565,000	-	100,000	1,465,000	105,000
Care 4.00% demand note payable to a bank, if no demand then principal and interest due on maturity. Subsequent to year end, the note was renewed and will mature on February 3, 2012.	-	70,000	-	70,000	70,000
Care 4.00% demand note payable to a bank, if no demand then principal and interest due on January 20, 2013.	-	112,500	-	112,500	112,500
<b>Total notes and bonds payable</b>	<u>\$ 2,540,299</u>	<u>\$ 182,500</u>	<u>\$ 206,365</u>	<u>\$ 2,516,434</u>	<u>\$ 611,434</u>

\*Retirements include amounts paid by Wayne County on behalf of WCNH and WCAL

WAYNE COUNTY RETIREMENT FACILITIES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011 AND 2010

NOTE 6 - NOTES AND BONDS PAYABLE (CONTINUED)

Changes in long-term debt were as follows for the year ended June 30, 2010:

<b>Notes and Bonds Payable</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements*</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Nursing Home Capital Outlay Notes Series 2005 - interest rate of 2.90%, maturing over a 6-year period, with the first payment made August 1, 2005, and the final payment due February 1, 2012.	\$ 274,169	\$ -	\$ 88,790	\$ 185,379	\$ 91,365
Nursing Home General Obligation Notes Series 2006 - interest rate of 4.05%, maturing over a 25-year period, with the first payment made December 1, 2006, and the final payment due June 1, 2031.	590,000	-	15,000	575,000	15,000
Nursing Home General Obligation Notes Series 2007 - interest rate of 5.00%, entire balance was due on December 1, 2009.	190,000	-	190,000	-	-
Nursing Home 6.00% demand note payable to a bank, if no demand then principal and interest due January 4, 2011.	85,000	-	-	85,000	85,000
Nursing Home demand note payable to a bank, originally due January 3, 2010 at an interest rate of 6.56%, renewed at an interest rate of 7.50%, if no demand then principal and interest due December 31, 2011.	130,000	-	80	129,920	129,920
Assisted Living Facility Lease Revenue and Tax Bonds Series 2001 - interest rate of 4.30%, maturing over a 20-year period, with the first payment made October 1, 2002, and the final payment due October 1, 2021.	1,660,000	-	95,000	1,565,000	100,000
Total notes and bonds payable	2,929,169	-	388,870	2,540,299	421,285
Capital lease obligations	1,744	-	1,744	-	-
Total long-term debt	<u>\$ 2,930,913</u>	<u>\$ -</u>	<u>\$ 390,614</u>	<u>\$ 2,540,299</u>	<u>\$ 421,285</u>

\*Retirements include amounts paid by Wayne County on behalf of WCNH and WCAL.

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

NOTE 6 - NOTES AND BONDS PAYABLE (CONTINUED)

A schedule of annual principal maturities of notes and bonds payable as of June 30, 2011, follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 611,434	\$ 106,480
2013	125,000	76,701
2014	130,000	71,202
2015	140,000	65,388
2016	150,000	59,155
2017 - 2032	<u>1,360,000</u>	<u>269,568</u>
	<u>\$ 2,516,434</u>	<u>\$ 648,494</u>

NOTE 7 - PENSION PLAN

Plan Description

Employees of the Facilities are part of the Wayne County General Fund Court which participates in the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at age 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the *Tennessee Code Annotated* (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Wayne County General Fund Court participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body. The Facilities' contribution to this plan was \$225,869 in 2011 (\$165,328 in 2010.)

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230, or can be accessed at <http://treasury.state.tn.us/tcrs/PS/>.

WAYNE COUNTY RETIREMENT FACILITIES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011 AND 2010

NOTE 7 - PENSION PLAN (CONTINUED)

Since the Facilities participate in Wayne County General Fund Court's plan, pension information for the Facilities is not available separately from the pension information provided for the County. Complete disclosure for the County's participation in the TCRS is described in the footnotes of the Annual Financial Report of Wayne County, Tennessee.

Funding Policy

Wayne County General Fund Court requires employees to contribute 5.00% of earnable compensation.

Wayne County General Fund Court is required to contribute at an actuarially determined rate; the rate was 7.43% for the fiscal year ended June 30, 2011 (6.88% for 2010). The contribution requirement of plan members is set by state statute. The contribution requirement for Wayne County General Fund Court is established and may be amended by the TCRS Board of Trustees.

NOTE 8 - CONTINGENT LIABILITIES

The Facilities are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Facilities have elected to obtain various insurance policies to transfer risk to a commercial insurance company. Insurance settlements have not been in excess of insurance coverage in any of the prior three years.

The Facilities are also subject to claims and suits arising in the ordinary course of business, including workers' compensation claims and claims arising from services provided to residents in the past. In management's opinion, the Facilities are currently not a party to any proceeding, the ultimate resolution of which would have a material adverse effect on the Facilities' change in net assets or financial condition. Accordingly, no liability for any such loss has been provided.

NOTE 9 - DEFICIT NET ASSETS

The Facilities have a deficit unrestricted net assets of \$1,896,533 at June 30, 2011 (\$1,466,132 in 2010) and a total deficit net assets of \$1,257,158 at June 30, 2011 (\$1,059,333 in 2010).

ADDITIONAL INFORMATION

WAYNE COUNTY RETIREMENT FACILITIES

COMBINING SCHEDULES OF NET ASSETS (DEFICIT)

JUNE 30, 2011 AND 2010

<u>ASSETS</u>	<u>JUNE 30, 2011</u>					<u>JUNE 30, 2010</u>			
	<u>WCNH</u>	<u>WCAL</u>	<u>WCARE</u>	<u>ELIMINATIONS</u>	<u>TOTAL</u>	<u>WCNH</u>	<u>WCAL</u>	<u>ELIMINATIONS</u>	<u>TOTAL</u>
<b>CURRENT ASSETS</b>									
Cash and cash equivalents - unrestricted	\$ 452,525	\$ 16,880	\$ 183,508	\$ -	\$ 652,913	\$ 433,093	\$ 17,874	\$ -	\$ 450,967
Resident accounts receivable, net of allowance for uncollectible accounts	471,138	-	225,387	-	696,525	491,345	1,706	-	493,051
Intrafund receivable	198,893	-	-	(198,893)	-	151,524	-	(151,524)	-
Due from State of Tennessee	-	-	-	-	-	8,582	-	-	8,582
Notes receivable - current portion	1,865	-	-	-	1,865	1,791	-	-	1,791
Prepaid insurance	43,724	-	9	-	43,733	21,379	-	-	21,379
Inventories	23,698	-	33,800	-	57,498	25,518	-	-	25,518
<b>TOTAL CURRENT ASSETS</b>	<u>1,191,843</u>	<u>16,880</u>	<u>442,704</u>	<u>(198,893)</u>	<u>1,452,534</u>	<u>1,133,232</u>	<u>19,580</u>	<u>(151,524)</u>	<u>1,001,288</u>
<b>ASSETS LIMITED AS TO USE</b>									
Cash and cash equivalents - restricted	13,723	-	283	-	14,006	11,419	-	-	11,419
<b>TOTAL ASSETS LIMITED AS TO USE</b>	<u>13,723</u>	<u>-</u>	<u>283</u>	<u>-</u>	<u>14,006</u>	<u>11,419</u>	<u>-</u>	<u>-</u>	<u>11,419</u>
<b>OTHER ASSETS</b>									
Bond issue costs, net of accumulated amortization	9,311	30,704	-	-	40,015	9,311	33,495	-	42,806
Notes receivable, excluding current portion	47,521	-	-	-	47,521	49,387	-	-	49,387
<b>TOTAL OTHER ASSETS</b>	<u>56,832</u>	<u>30,704</u>	<u>-</u>	<u>-</u>	<u>87,536</u>	<u>58,698</u>	<u>33,495</u>	<u>-</u>	<u>92,193</u>
<b>LAND, BUILDING AND EQUIPMENT - at cost, net of accumulated depreciation</b>	<u>956,041</u>	<u>1,687,120</u>	<u>75,213</u>	<u>-</u>	<u>2,718,374</u>	<u>1,105,690</u>	<u>1,742,642</u>	<u>-</u>	<u>2,848,332</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,218,439</u>	<u>\$ 1,734,704</u>	<u>\$ 518,200</u>	<u>\$ (198,893)</u>	<u>\$ 4,272,450</u>	<u>\$ 2,309,039</u>	<u>\$ 1,795,717</u>	<u>\$ (151,524)</u>	<u>\$ 3,953,232</u>

WAYNE COUNTY RETIREMENT FACILITIES

COMBINING SCHEDULES OF NET ASSETS (DEFICIT) (CONTINUED)

JUNE 30, 2011 AND 2010

<u>LIABILITIES AND NET ASSETS</u>	<u>JUNE 30, 2011</u>					<u>JUNE 30, 2010</u>			
	<u>WCNH</u>	<u>WCAL</u>	<u>WCARE</u>	<u>ELIMINATIONS</u>	<u>TOTAL</u>	<u>WCNH</u>	<u>WCAL</u>	<u>ELIMINATIONS</u>	<u>TOTAL</u>
<b>CURRENT LIABILITIES (Payable from unrestricted assets)</b>									
Accounts payable	\$ 75,129	\$ 10,631	\$ 48,005	\$ -	\$ 133,765	\$ 84,189	\$ 30,512	\$ -	\$ 114,701
Accrued expenses and other liabilities	358,517	24,952	158,703	-	542,172	250,198	25,528	-	275,726
Due to Maury Regional Hospital	-	-	75,044	-	75,044	-	-	-	-
Intrafund payable	-	198,893	-	(198,893)	-	-	151,524	(151,524)	-
Due to Wayne County, Tennessee	626,047	1,622,140	-	-	2,248,187	613,425	1,456,995	-	2,070,420
Current portion of long-term debt	323,934	105,000	182,500	-	611,434	321,285	100,000	-	421,285
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,383,627</b>	<b>1,961,616</b>	<b>464,252</b>	<b>(198,893)</b>	<b>3,610,602</b>	<b>1,269,097</b>	<b>1,764,559</b>	<b>(151,524)</b>	<b>2,882,132</b>
<b>CURRENT LIABILITIES (Payable from assets limited as to use)</b>									
Patients' trust fund	13,723	-	283	-	14,006	11,419	-	-	11,419
<b>LONG-TERM DEBT</b>									
Notes and bonds payable	868,934	1,465,000	182,500	-	2,516,434	975,299	1,565,000	-	2,540,299
Less current portion	323,934	105,000	182,500	-	611,434	321,285	100,000	-	421,285
<b>TOTAL LONG-TERM DEBT</b>	<b>545,000</b>	<b>1,360,000</b>	<b>-</b>	<b>-</b>	<b>1,905,000</b>	<b>654,014</b>	<b>1,465,000</b>	<b>-</b>	<b>2,119,014</b>
<b>TOTAL LIABILITIES</b>	<b>1,942,350</b>	<b>3,321,616</b>	<b>464,535</b>	<b>(198,893)</b>	<b>5,529,608</b>	<b>1,934,530</b>	<b>3,229,559</b>	<b>(151,524)</b>	<b>5,012,565</b>
<b>NET ASSETS (DEFICIT)</b>									
Invested in capital assets, net of related debt	311,338	252,824	75,213	-	639,375	195,662	211,137	-	406,799
Unrestricted (deficit)	(35,249)	(1,839,736)	(21,548)	-	(1,896,533)	178,847	(1,644,979)	-	(1,466,132)
<b>TOTAL NET ASSETS (DEFICIT)</b>	<b>276,089</b>	<b>(1,586,912)</b>	<b>53,665</b>	<b>-</b>	<b>(1,257,158)</b>	<b>374,509</b>	<b>(1,433,842)</b>	<b>-</b>	<b>(1,059,333)</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,218,439</b>	<b>\$ 1,734,704</b>	<b>\$ 518,200</b>	<b>\$ (198,893)</b>	<b>\$ 4,272,450</b>	<b>\$ 2,309,039</b>	<b>\$ 1,795,717</b>	<b>\$ (151,524)</b>	<b>\$ 3,953,232</b>

WAYNE COUNTY RETIREMENT FACILITIES

COMBINING SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (DEFICIT)

YEARS ENDED JUNE 30, 2011 AND 2010

	2011					2010			
	WCNH	WCAL	WCARE	ELIMINATIONS	TOTAL	WCNH	WCAL	ELIMINATIONS	TOTAL
<b>OPERATING REVENUES</b>									
Net resident service revenue, net of provision for bad debts	\$ 4,974,922	\$ 328,712	\$ 2,138,137	\$ -	\$ 7,441,771	\$ 4,956,958	\$ 330,114	\$ -	\$ 5,287,072
Other operating revenues	5,940	-	27,211	-	33,151	6,041	-	-	6,041
<b>TOTAL OPERATING REVENUES</b>	<b>4,980,862</b>	<b>328,712</b>	<b>2,165,348</b>	<b>-</b>	<b>7,474,922</b>	<b>4,962,999</b>	<b>330,114</b>	<b>-</b>	<b>5,293,113</b>
<b>OPERATING EXPENSES</b>									
Salaries and benefits	3,514,918	222,571	1,530,722	-	5,268,211	3,293,132	200,822	-	3,493,954
Supplies and other	1,230,063	92,827	582,854	-	1,905,744	1,174,614	95,855	-	1,270,469
Utilities	140,302	42,965	66,875	-	250,142	114,448	41,855	-	156,303
Depreciation	154,521	55,522	15,100	-	225,143	192,642	56,501	-	249,143
<b>TOTAL OPERATING EXPENSES</b>	<b>5,039,804</b>	<b>413,885</b>	<b>2,195,551</b>	<b>-</b>	<b>7,649,240</b>	<b>4,774,836</b>	<b>395,033</b>	<b>-</b>	<b>5,169,869</b>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>(58,942)</b>	<b>(85,173)</b>	<b>(30,203)</b>	<b>-</b>	<b>(174,318)</b>	<b>188,163</b>	<b>(64,919)</b>	<b>-</b>	<b>123,244</b>
<b>NONOPERATING REVENUE (EXPENSE)</b>									
Interest income	6,773	160	-	(1,196)	5,737	9,429	205	(3,577)	6,057
Interest expense	(46,251)	(68,057)	(6,445)	1,196	(119,557)	(57,013)	(74,684)	3,577	(128,120)
<b>TOTAL NONOPERATING REVENUE (EXPENSE) - NET</b>	<b>(39,478)</b>	<b>(67,897)</b>	<b>(6,445)</b>	<b>-</b>	<b>(113,820)</b>	<b>(47,584)</b>	<b>(74,479)</b>	<b>-</b>	<b>(122,063)</b>
Equipment and building improvements contributed by Maury Regional Hospital	-	-	90,313	-	90,313	-	-	-	-
<b>CHANGE IN NET ASSETS</b>	<b>(98,420)</b>	<b>(153,070)</b>	<b>53,665</b>	<b>-</b>	<b>(197,825)</b>	<b>140,579</b>	<b>(139,398)</b>	<b>-</b>	<b>1,181</b>
<b>NET ASSETS (DEFICIT) - BEGINNING OF YEAR</b>	<b>374,509</b>	<b>(1,433,842)</b>	<b>-</b>	<b>-</b>	<b>(1,059,333)</b>	<b>233,930</b>	<b>(1,294,444)</b>	<b>-</b>	<b>(1,060,514)</b>
<b>NET ASSETS (DEFICIT) - END OF YEAR</b>	<b>\$ 276,089</b>	<b>\$ (1,586,912)</b>	<b>\$ 53,665</b>	<b>\$ -</b>	<b>\$ (1,257,158)</b>	<b>\$ 374,509</b>	<b>\$ (1,433,842)</b>	<b>\$ -</b>	<b>\$ (1,059,333)</b>

WAYNE COUNTY RETIREMENT FACILITIES

COMBINING SCHEDULES OF CASH FLOWS

YEARS ENDED JUNE 30, 2011 AND 2010

	2011					2010			
	WCNH	WCAL	WCARE	ELIMINATIONS	TOTAL	WCNH	WCAL	ELIMINATIONS	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>									
Receipts from residents	\$ 4,997,433	\$ 330,418	\$ 1,988,077	\$ -	\$ 7,315,928	\$ 4,802,062	\$ 328,408	\$ -	\$ 5,130,470
Payments to suppliers	(1,438,737)	(108,304)	(635,533)	-	(2,182,574)	(1,336,095)	(126,625)	-	(1,462,720)
Payments to employees	(3,383,972)	(222,071)	(1,375,066)	-	(4,981,109)	(3,312,958)	(210,613)	-	(3,523,571)
Other receipts	5,940	-	27,211	-	33,151	6,041	-	-	6,041
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>180,664</b>	<b>43</b>	<b>4,689</b>	<b>-</b>	<b>185,396</b>	<b>159,050</b>	<b>(8,830)</b>	<b>-</b>	<b>150,220</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>									
Debt principal payments	(93,743)	-	-	-	(93,743)	(80)	-	-	(80)
Proceeds from notes payable	-	-	182,500	-	182,500	-	-	-	-
Interest paid	-	-	(3,398)	-	(3,398)	(15,631)	-	-	(15,631)
<b>NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES</b>	<b>(93,743)</b>	<b>-</b>	<b>179,102</b>	<b>-</b>	<b>85,359</b>	<b>(15,711)</b>	<b>-</b>	<b>-</b>	<b>(15,711)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>									
Debt principal payments	-	-	-	-	-	-	(1,744)	-	(1,744)
Interest paid	(68,878)	(1,197)	-	1,196	(68,879)	(153,105)	(2,556)	3,577	(152,084)
Acquisition of capital assets	(4,872)	-	-	-	(4,872)	-	-	-	-
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(73,750)</b>	<b>(1,197)</b>	<b>-</b>	<b>1,196</b>	<b>(73,751)</b>	<b>(153,105)</b>	<b>(4,300)</b>	<b>3,577</b>	<b>(153,828)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
Payments received on notes receivable	1,792	-	-	-	1,792	1,721	-	-	1,721
Interest income	6,773	160	-	(1,196)	5,737	9,429	205	(3,577)	6,057
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>8,565</b>	<b>160</b>	<b>-</b>	<b>(1,196)</b>	<b>7,529</b>	<b>11,150</b>	<b>205</b>	<b>(3,577)</b>	<b>7,778</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>21,736</b>	<b>(994)</b>	<b>183,791</b>	<b>-</b>	<b>204,533</b>	<b>1,384</b>	<b>(12,925)</b>	<b>-</b>	<b>(11,541)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>444,512</b>	<b>17,874</b>	<b>-</b>	<b>-</b>	<b>462,386</b>	<b>443,128</b>	<b>30,799</b>	<b>-</b>	<b>473,927</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 466,248</b>	<b>\$ 16,880</b>	<b>\$ 183,791</b>	<b>\$ -</b>	<b>\$ 666,919</b>	<b>\$ 444,512</b>	<b>\$ 17,874</b>	<b>\$ -</b>	<b>\$ 462,386</b>

WAYNE COUNTY RETIREMENT FACILITIES

COMBINING SCHEDULES OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2011 AND 2010

	2011					2010			
	WCNH	WCAL	WCare	ELIMINATIONS	TOTAL	WCNH	WCAL	ELIMINATIONS	TOTAL
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES									
Income (loss) from operations	\$ (58,942)	\$ (85,173)	\$ (30,203)	\$ -	\$ (174,318)	\$ 188,163	\$ (64,919)	\$ -	\$ 123,244
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:									
Depreciation	154,521	55,522	15,100	-	225,143	192,642	56,501	-	249,143
Provision for bad debts	44,032	-	-	-	44,032	50,000	-	-	50,000
(Increase) decrease in:									
Accounts receivable and other receivables	(15,243)	1,706	(225,387)	-	(238,924)	(129,663)	(1,706)	-	(131,369)
Intrafund receivable (payable)	(47,369)	47,369	-	-	-	7,373	(7,373)	-	-
Prepaid expenses	(22,345)	-	(9)	-	(22,354)	(11,222)	-	-	(11,222)
Inventories	1,820	-	(33,800)	-	(31,980)	(4,066)	-	-	(4,066)
Increase (decrease) in:									
Accounts payable	(9,060)	(19,881)	48,005	-	19,064	(165)	19,479	-	19,314
Accrued expenses and other liabilities	130,946	500	155,656	-	287,102	16,469	(10,812)	-	5,657
Due to Maury Regional Hospital	-	-	75,044	-	75,044	-	-	-	-
Due to U.S. Department of Justice	-	-	-	-	-	(135,000)	-	-	(135,000)
Patients' trust fund	2,304	-	283	-	2,587	(15,481)	-	-	(15,481)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 180,664</u>	<u>\$ 43</u>	<u>\$ 4,689</u>	<u>\$ -</u>	<u>\$ 185,396</u>	<u>\$ 159,050</u>	<u>\$ (8,830)</u>	<u>\$ -</u>	<u>\$ 150,220</u>
SCHEDULE OF NONCASH TRANSACTIONS:									
Amortization of bond issue costs included in interest expense	\$ 3,777	\$ 2,791	\$ -	\$ -	\$ 6,568	\$ 3,777	\$ 2,791	\$ -	\$ 6,568
Long term debt and interest payments by Wayne County	-	165,145	-	-	165,145	-	164,337	-	164,337
Purchase of real estate with an advance from Wayne County	-	-	-	-	-	48,000	-	-	48,000
Equipment and building improvements contributed by Maury Regional Hospital	-	-	90,313	-	90,313	-	-	-	-

OTHER REPORT

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Wayne County General Hospital Board of Trustees  
Wayne County Retirement Facilities  
Waynesboro, Tennessee

We have audited the financial statements of Wayne County Retirement Facilities (the "Facilities"), a component unit of Wayne County, Tennessee, as of and for the year ended June 30, 2011, and have issued our report thereon dated January 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Facilities is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Facilities' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Facilities' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Facilities' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(CONTINUED)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Facilities' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Facilities in a separate letter dated January 27, 2012.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

*Knigt CPAs PLLC*

Columbia, Tennessee  
January 27, 2012